



Country or Region: Indonesia

Indonesia: Clinical Laboratory Equipment Market

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Summary

The clinical laboratory and diagnostics instruments market in Indonesia has grown considerably and will continue to grow through 2007. Indonesia's large population of 220 million people makes it one of the world's largest markets for medical equipment and healthcare services. In addition, Indonesia has experienced multiple disasters (Tsunami, earthquakes) in several areas in the country. These catastrophic events require major reconstruction of medical infrastructure, and thus increase demand for medical equipment, clinical lab and diagnostics instruments, and other medical products. U.S. manufacturers of clinical laboratory equipment should take advantage of this growing market.

Market Demand

Indonesia relies entirely on imports to support its needs for clinical laboratory and diagnostics instruments. Given its 220 million population and its increasing health awareness, Indonesia is a good potential market for clinical laboratory and diagnostics instruments. The market for these products is expected to grow at 10-15% annually.

As laboratories strive to provide quality service, and as accuracy and timeliness of test results are essential, driving the demand for more advanced equipment. Changes in diet and lifestyles have resulted in the emergence of lifestyle diseases. These lifestyle diseases/circulatory diseases, along with infections and parasites, and respiratory problems, are the top three primary causes of death in Indonesia. All these ailments combined with population growth and aging create further demand in the market as healthcare providers invest in quality clinical laboratory equipment to diagnose and prevent diseases.

In the private sector, hospitals continue to upgrade their clinical laboratories on a regular basis to meet the growing demand for quality healthcare. Healthcare providers show a growing interest in high technology equipment to improve the delivery and quality of test results.

In the public sector, decentralization has increased the decision-making role of regional governments and therefore created a larger market for clinical laboratory equipment. The tsunami disaster has also increased demand as the government is rebuilding health facilities that were destroyed. These facilities include 6 hospitals, 77 health centers, laboratories, schools of health, and quarantine facilities.

Furthermore, in 2006, the government has allocated a total of \$283.2 million for healthcare development:

- \$215 million for procurement and development of hospitals and upgrades of existing hospitals in the 33 provinces;
- \$32.5 million for health care centers (Puskesmas); and
- \$35.7 million for Tsunami and earthquake struck Aceh and Nias.

Another \$3.4 million has been allocated to build a level 3 bio-safety laboratory and to equip it to respond to avian flu and other emerging pathogens. This initial laboratory building is currently under construction.

Market Data

The Indonesian market for clinical laboratory and diagnostics instruments relies entirely on imports. The market for clinical laboratory and diagnostics instruments has shown steady growth with annual rates of

10-18 percent for the last three years. Imports of clinical laboratory and diagnostics instruments are expected to increase at about 10-15 percent annually.

Total imports of clinical laboratory and diagnostics were estimated at \$32.3 million in 2005, an increase by 18 percent from 2004 level of \$27.4 million.

It should be noted that accurate, consistent figures regarding all imports are hard to come by. Statistical discrepancies can be explained by problems such as the lack of transparency in customs practices, inconsistent data and recording methods, and problems in gathering statistics on specific imports.

Best Sales Prospects

Based on an interview with clinical laboratory and diagnostics suppliers, the best sales prospects for U.S. suppliers are:

Rapid test kits for hepatitis, sexually transmitted diseases, emerging infectious diseases, pregnancy and diabetes;

Clinical chemistry, hematology and immunology instruments.

Key Suppliers

U.S. clinical laboratory instruments hold a significant import market share of \$10.5 million in 2005 representing approximately 32.5 percent of the total market. Germany has 22.6%, France 10%, Japan 9% and other European countries have about 7.2%. Although currently the market leader, U.S. companies need to be more aggressive in strengthening their market presence in Indonesia. Major competitors for this market are from Europe and Japan. They are very active in the Indonesian market, giving very prompt responses to inquiries and providing good customer service.

The U.S. competitive position for the next two years will probably increase. U.S. products have earned an excellent reputation among both public and private buyers as users view the U.S. to be the most advanced country with the latest technology.

The main U.S. exporters of clinical laboratory equipment are Johnson & Johnson, Becton Dickinson, Beckman Coulter, Pointe and Abbott.

Prospective Buyers

The national health system includes an extensive network of health services comprising 1,258 hospitals, 7,621 health center (puskesmas), over 800 private laboratories and 26 laboratories managed by the government. The systems provide health services to more than 220 million people spread over the 33 provinces of Indonesia. They are the major end-users of clinical laboratory equipment in Indonesia.

End-users actively learn about new products by attending trade shows and conferences. Laboratory owners and laboratory equipment importers, agents and distributors state that they become better informed about new technologies and develop useful contacts at trade shows.

Market Entry

U.S. companies must appoint Indonesian agents/distributors to market clinical laboratory products in Indonesia. Local agents or distributors play an important role in developing the market and providing after-sales services. Good agents/distributors are instrumental in obtaining both public and private sales leads.

The market for clinical laboratory and diagnostics instruments is highly competitive. Pricing and quality are key success factors in this business, followed by after sales services, reliability, effective promotion, and extensive distribution channels. American products will be able to penetrate the Indonesian market more successfully if prices are competitive. Once the products are known, buyers will start seeking products that are familiar to them.

To gain market share, US companies need to develop more flexible marketing approaches. Lack of financing is a key reason why US companies have limited success when selling to the government. According to distributors, inflexibility in terms of sales, payment schedules, and length of contract also act as a hurdle to building strong business relations and market presence.

It is important to offer good credit terms, as Japan and other European countries offer soft loans to Indonesia. Indonesian buyers will actively seek preferential financing terms from their suppliers.

Because of the enormous market potential, American companies should aggressively pursue the Indonesian market and should strive to introduce new products to the market ahead of their competitors.

Market Issues & Obstacles

There are no restrictions on imports of clinical laboratory equipment. The equipment is subject to 5 percent import tax and valued added tax of 10 percent. The Ministry of Health controls the registration of clinical laboratory equipment and supplies in Indonesia. Mandatory registration of clinical laboratory equipment must be conducted by local agents or distributors. In general, products that are FDA - approved and sold in the U.S. will be approved to enter the market in Indonesia. The process to obtain the license generally takes around 3 months.

Trade Events

Name: Indonesia Medical and Hospital Equipments Expo
Date: September 6-9, 2006
Location: Jakarta, Indonesia
Contact: PT Krista Exhibitions
Website: <http://www.kristamedia.com>

Name: Hospital Expo
Date: November 22-25, 2006
Location: Jakarta, Indonesia
Contact: PT Okta Sejahtera Insani
Website: <http://www.hospital-expo.com/>

Resources and Key Contacts

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www.buyusa.gov/indonesia/en.

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